



Security Assistance in the 21st Century

U.S. Army Security Assistance Command

Richard Alpaugh

February 2001



Shaping the Environment

USASAC – Army's Face to the world



“The US military plays a crucial role in shaping the international security environment in ways that protect and promote US interests. Through overseas presence and peacetime engagement activities such as defense cooperation, security assistance, and training and exercises with allies and friends, our armed forces help to deter aggression and coercion, build coalitions, promote regional stability, and serve as role models for militaries in emerging democracies...”

National Security Strategy, December 1999

Peace Based on Mutual Trust & International Cooperation

Strategic Planning





FMS NATIONAL SECURITY STRATEGY (NSS)

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NATIONAL MILITARY STRATEGY (NMS) ENABLER



- **NSS ENHANCE SECURITY/NMS RESPOND**

- TRAIN, EQUIP, INFLUENCE
- ACCESS, INTEROPERABILITY



- **NSS BOLSTER PROSPERITY/NMS PREPARE**

- FEDERAL, USA ACCOUNTS
- INDUSTRIAL BASE
- JOBS (\$1B IN SALES = 22,000 US JOBS)

- **NSS PROMOTE DEMOCRACY/ NMS SHAPE**

- TOOL FOR DIPLOMACY, INFLUENCE, ACCESS
- PROMOTE AMERICAN VALUES, IDEALS
- ASSIST IN NATION BUILDING



BOTTOM LINE: FMS IMPACTS NSS GOALS AND NMS ELEMENTS



USASAC -- Army's Face To The World

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Mission: On behalf of the Army Executive Agent, Commanding General AMC; USASAC serves as Executive Agent for the Management, Administration, and Implementation of FMS and MAP programs assigned to the Army. (Draft DA Pam 12-1)



- *Total Program, 49.8B - 3.2B Sales in FY 00*
- *98% of the Budget, Admin/Case (not OMA) funded*
- *Process 250,000 Requisitions Annually*
- *Actively Manages more than 3.1M requisitions*
- *Approximately 4,000 Export Licenses Reviewed in FY 00 - Avg. Review Time 13 Days*
- *Process between 35-55 LOA's every Qtr - Avg. Preparation Time 24 Days*
- *Link to 140 different Armies, 47 Air Forces, 26 Navies and 26 other country entities.*



USASAC Support to Army Transformation

USASAC – Army's Face to the world

- \$128M Egypt Rebuild CH47's
- \$496M Colombia Blackhawk
- \$300M Korean MLRS
- \$300M Dutch Javelin
- \$150M Kuwait Ammunition

Projected:

- \$2B Greek M1A2 Tanks
- \$1.2B Israeli Various Aircraft
- \$TBD Taiwan:
 - 132 Paladins
 - 75 Apaches
 - 44 M1A2 Tanks



- IMPACTS SPARE PARTS
- SUSTAINS THE INDUSTRIAL BASE
- EXTENDS PRODUCTION LINES
- YIELDS ECONOMIES OF SCALE

Legacy Force

Interim Force

Objective Force

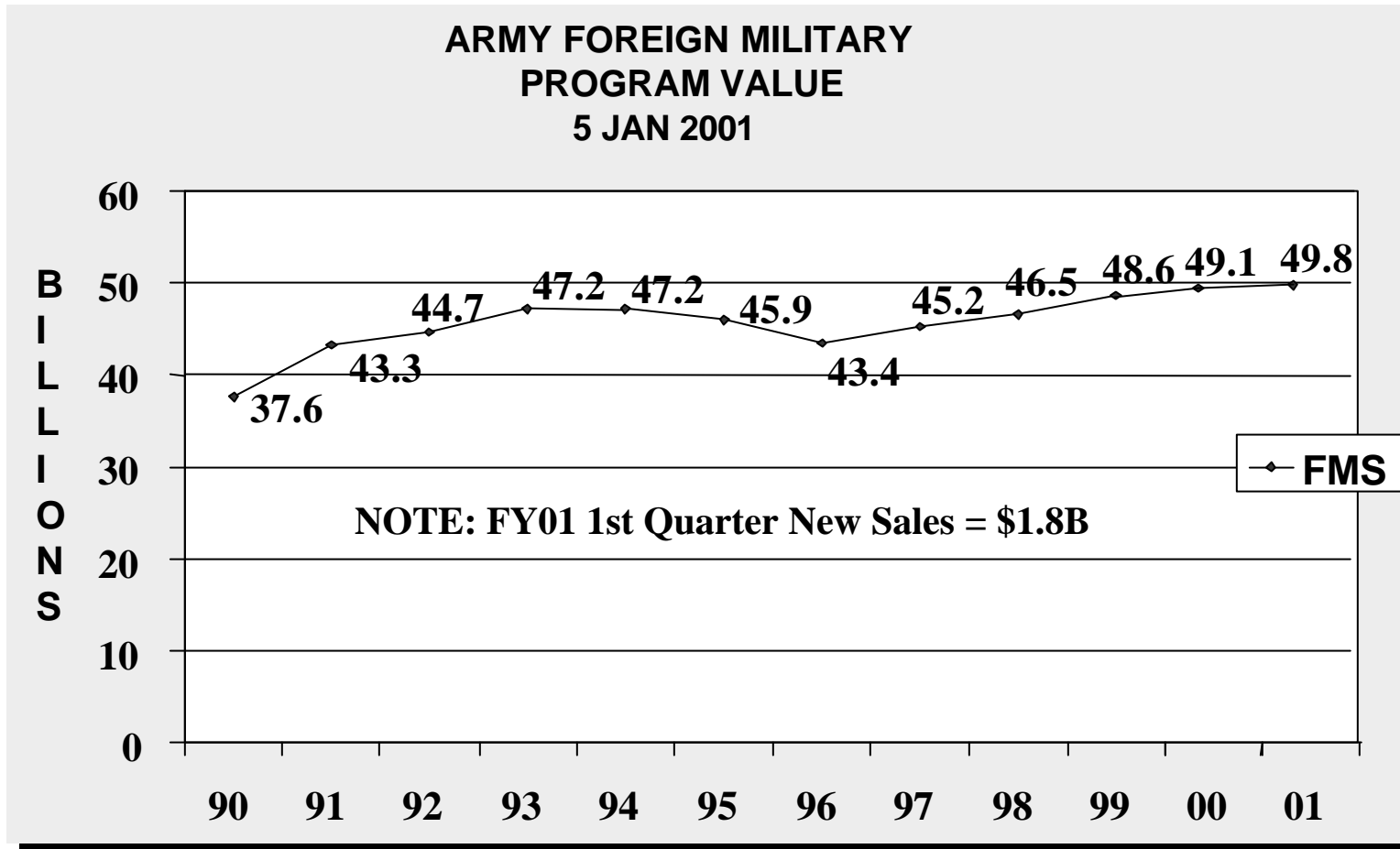
*FMS Future Sales...making Transition
more affordable by impacting on
Production and Pricing*





FMS / Total Program Value

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AMC FMS Total Program Value

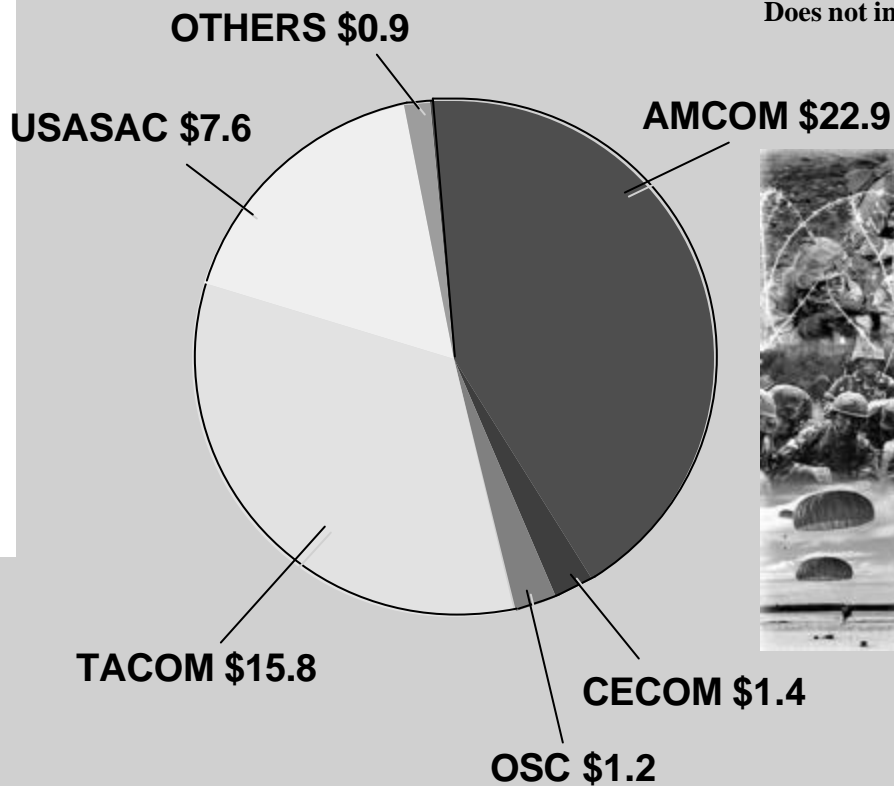
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FY01 TOTAL VALUE IN BILLIONS AS OF 3 Jan. 01

BY MSC

Total 49.8

Does not include COE



Each Billion \$ of
FMS Equals 22,000
Jobs



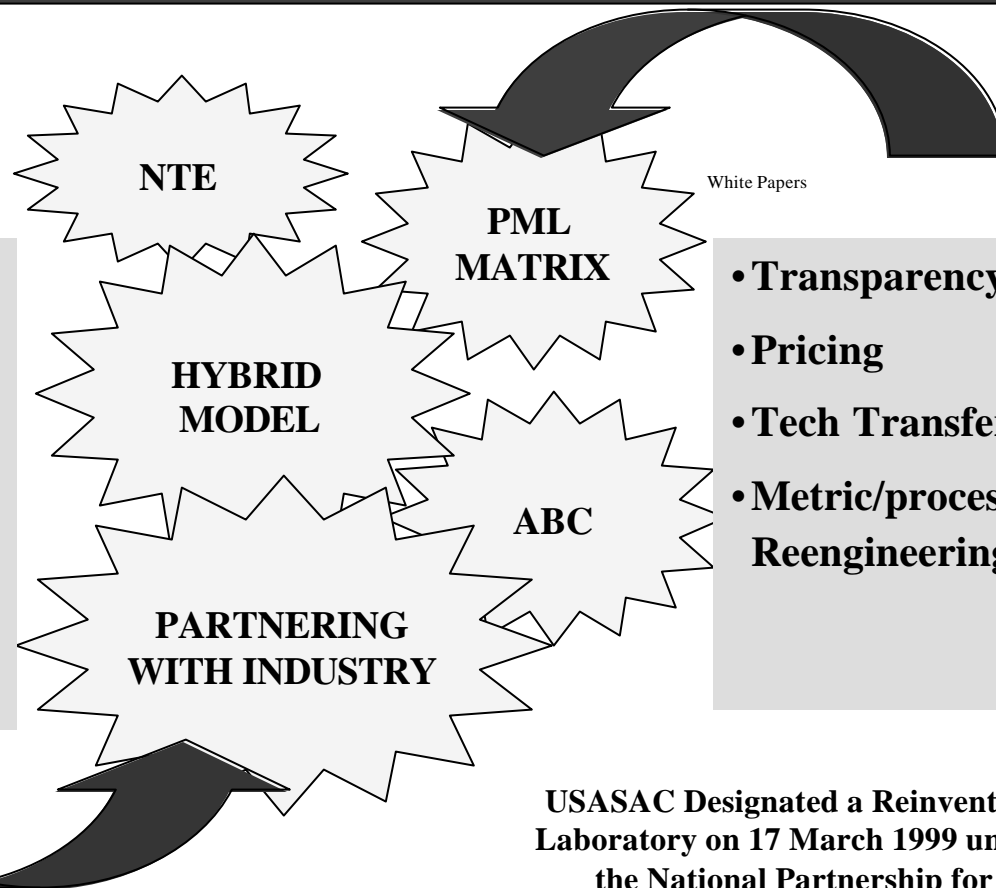


Path to Reinvention

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Systemic Review:

- Reengineering
- Functional Analysis
- Accurate Budgeting
- Business Process
- Risk Management
- Strategic Planning
- Customer Focus



White Papers

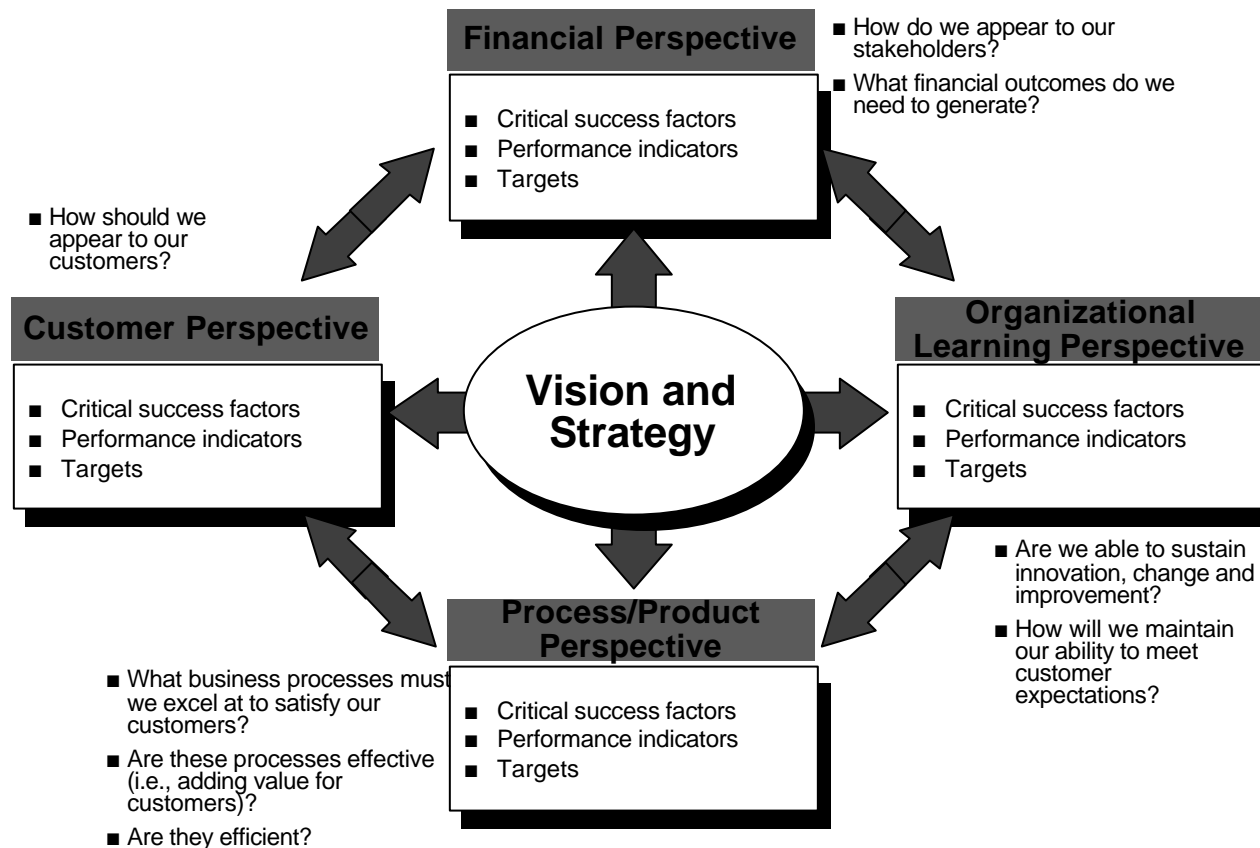
- Transparency
- Pricing
- Tech Transfer
- Metric/process Reengineering

USASAC Designated a Reinvention Laboratory on 17 March 1999 under the National Partnership for Reinventing Government



Balanced Scorecard

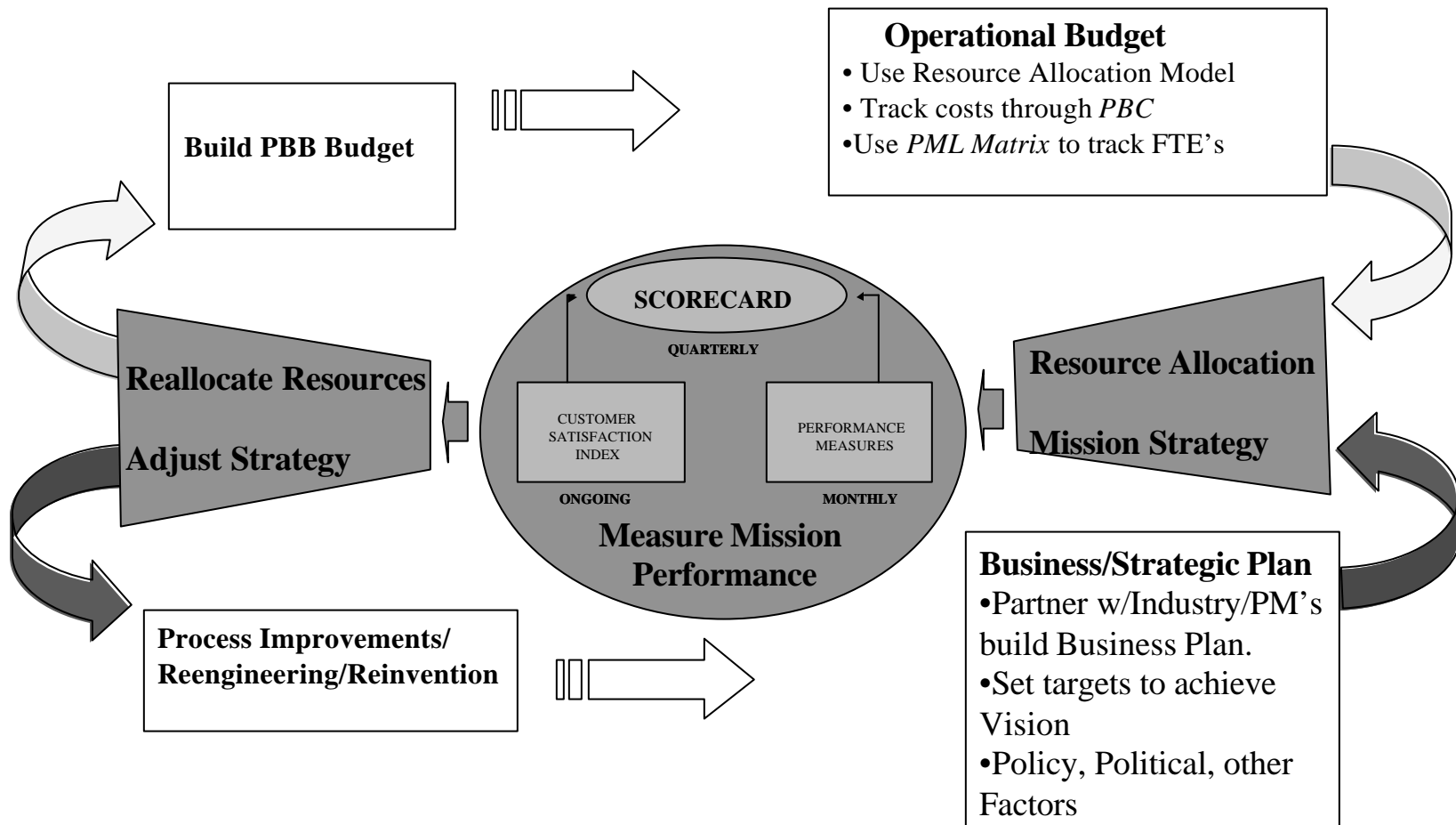
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Mission Accomplishment

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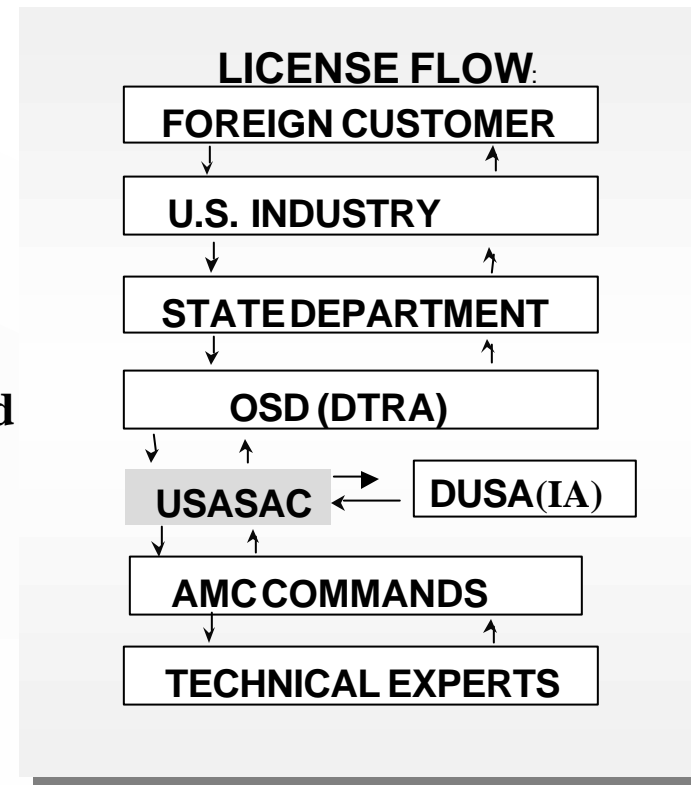


Export Licensing of Direct Commercial Sales

USASAC – Army’s Face to the world

- **Purpose:** To develop Army position on Export License Applications.
- **USASAC** manages as **Executive Agent**
- **Approximately 4,000 Licenses** reviewed in **FY00**
- **Average review times (Calendar days)**

	<u>Dec 98</u>	<u>Dec 99</u>	<u>Dec 00</u>
DOD	46	22	20
Army	20	16	13



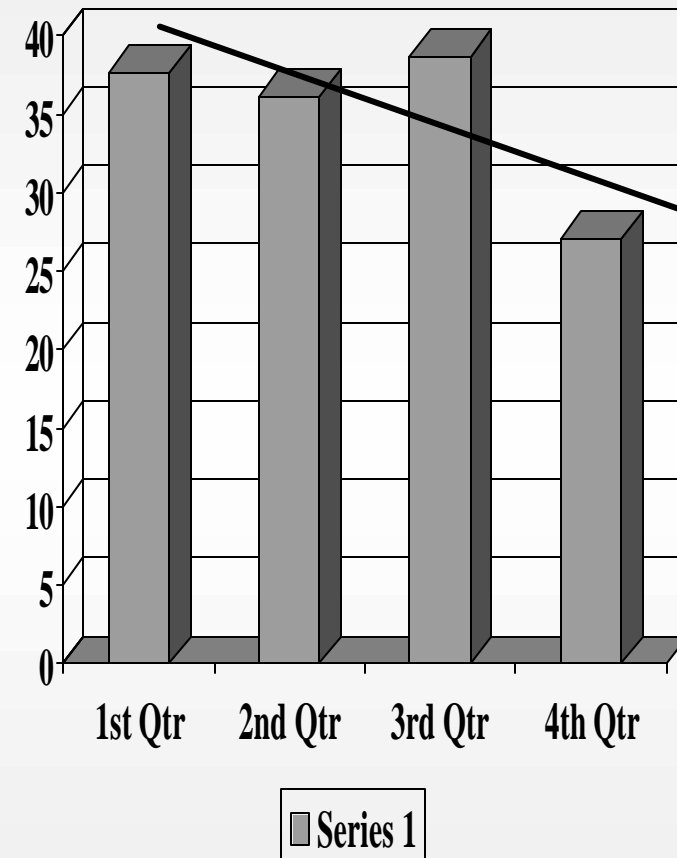
“Bring additional discipline to our program....”
Dep Sec Def Hamre - Oct 1999



Letter of Offer and Acceptance Preparation Time

USASAC – Army's Face to the world

- **Purpose of Metric:** To ensure the timely processing of a Letter of Offer and Acceptance (LOA) [used in Foreign Military Sales].
- **Goal:** Starting with receipt of tasker, the LOA is to be completed in 40 days.
- **Trend:** For all four quarters of FY 00 AMC processed LOA's under the 40-day time limit.
37.6 days (FY00Q1)
27.1 days (FY00Q4)
- **DSCA standard** - LOA completion within 120 days 80% of the time (receipt of LOR to offer of LOA)
Army 71% (FY00Q4)
Overall 75% (FY00Q4)





Activity Based Costing

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- IN CONJUNCTION WITH THE MSC's, WE DEVELOPED RESOURCE CODES THAT TRACK ACTIVITIES OF THE FMS LIFE CYCLE PROCESS & ASSOCIATED/OVERHEAD COSTS.

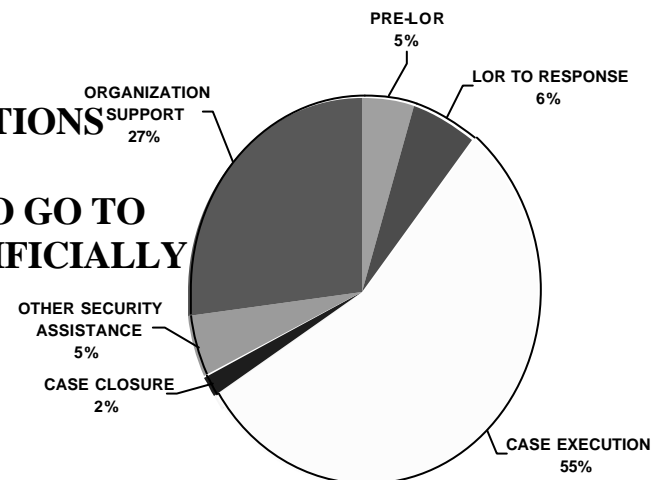
- PROVIDES EMPIRICAL DATA TO SUPPORT BUDGET
- TIES BUDGET TO PERFORMANCE MEASURES
- PROVIDES BETTER SUPPORT FOR UFR's
- ASSISTS IN IDENTIFYING REINVENTION OPPORTUNITIES

- 19 RESOURCE CODES TIE TO 6 DSCA MACRO FUNCTIONS

- PROVIDES EMPIRICAL DATA FOR DSCA TO GO TO THE HILL TO REQUEST FUNDS ABOVE ARTIFICIALLY IMPOSED CEILINGS (I.E. PRE-LOR)

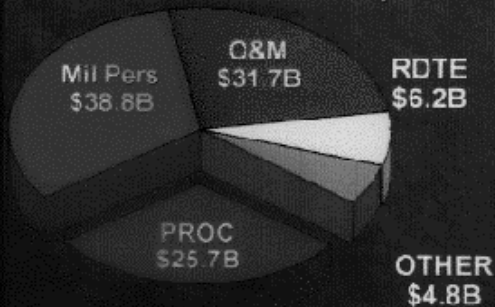
- TRACKING TIME AT USASAC AND SAMD's

AMC TOTAL

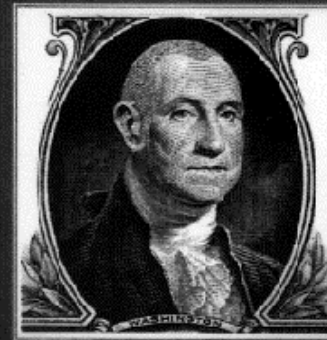


The Research, Development, and Acquisition Squeeze

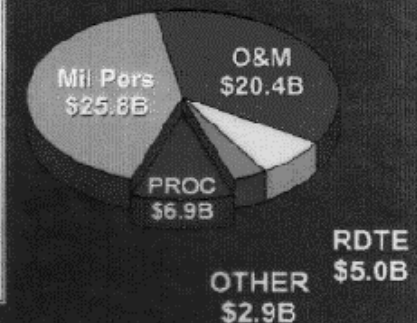
FY85 ARMY BUDGET
\$107.4B in
FY 99 Constant \$'s



Personnel, operations and maintenance costs have increased to nearly 80% of the Army budget



FY99 ARMY BUDGET
\$64.3 B



While the Overall Budget Has Come Down 40%, The Procurement Account Has Declined by 73%!

The U.S. spent more on Alcoholic Beverages in 1999 (\$114.9 Billion) than on its Army



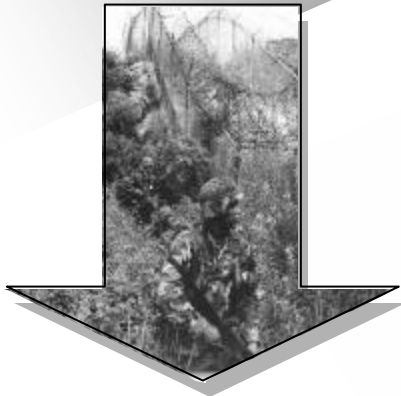
GAO Report : Defense Savings from Export Sales

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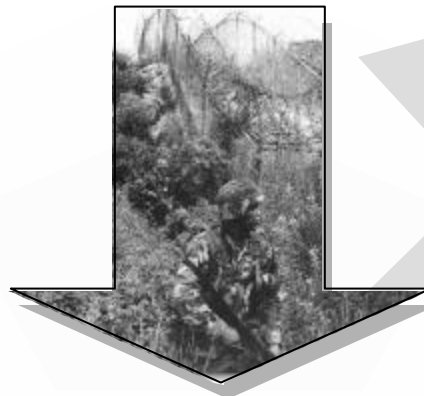
DOD 1989-1998

Total budget



Down 30%

Procurement budget



Down 50%

- Increased production quantities, reduced unit costs through FMS (especially if export sales are awarded about the same time as US sales). DOD saved \$342 Mil. In the five reviewed systems

IMPACT:

- DOD purchased fewer quantities of individual weapons than originally planned.(Reduces overall costs; increases unit costs).Impact on NMS.



Major FMS and the Production Base

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	<u>TOTAL SALES</u> <u>FY94-99</u>	<u>% INDUSTRY</u> <u>FY94-99</u>	<u>PROJECTED</u>	
			<u>SALES</u> <u>FY00 +</u>	<u>% INDUSTRY</u> <u>FY00 +</u>
PATRIOT	75/\$9.6B	56.5	7.3B	30
M1A1/A2 TANK	1088/\$6.9B	66.7	11.7B	100
APACHE	146/\$3.1B	43.7	7.6B	20
LIGHT ARMORED VEHICLES (LAV)	1117/\$1.6B	67.2	.6B	25
MULTIPLE LAUNCH ROCKET SYSTEM	172/\$.6B	60.2	.9B	70

*



BOTTOM LINE: FMS KEY ENABLER FOR MAINTAINING INDUSTRY BASE



US MLRS Production

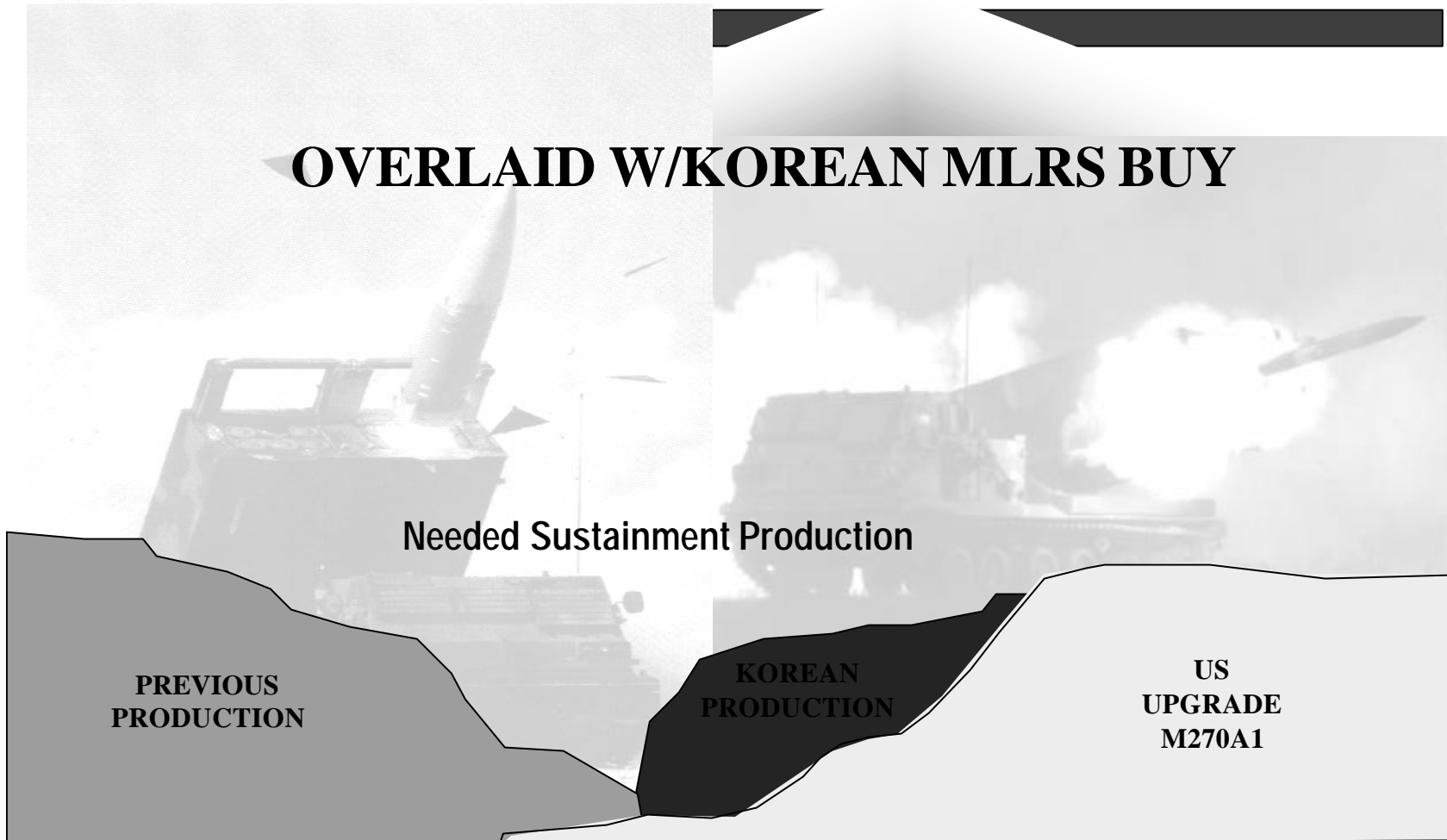
OVERLAID W/KOREAN MLRS BUY

Needed Sustainment Production

**PREVIOUS
PRODUCTION**

**KOREAN
PRODUCTION**

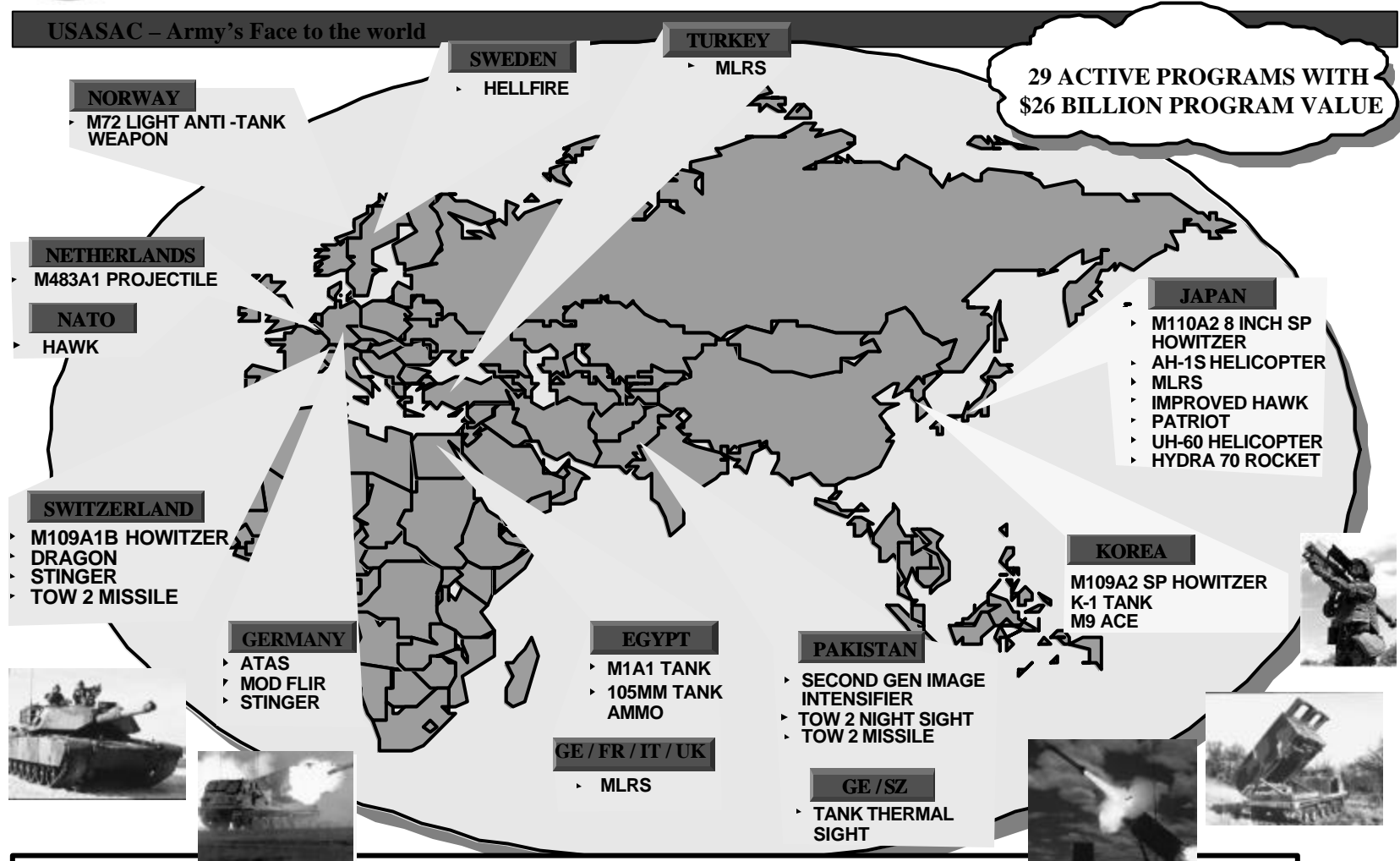
**US
UPGRADE
M270A1**





Army Coproduction

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MAINTAINS U.S. INFLUENCE, PRESENCE, POWER IN POST COLD WAR ENVIRONMENT

PP97_077i
3/9/2000



TODAYS INTERNATIONAL ENVIRONMENT

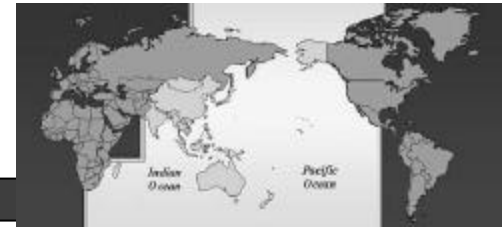
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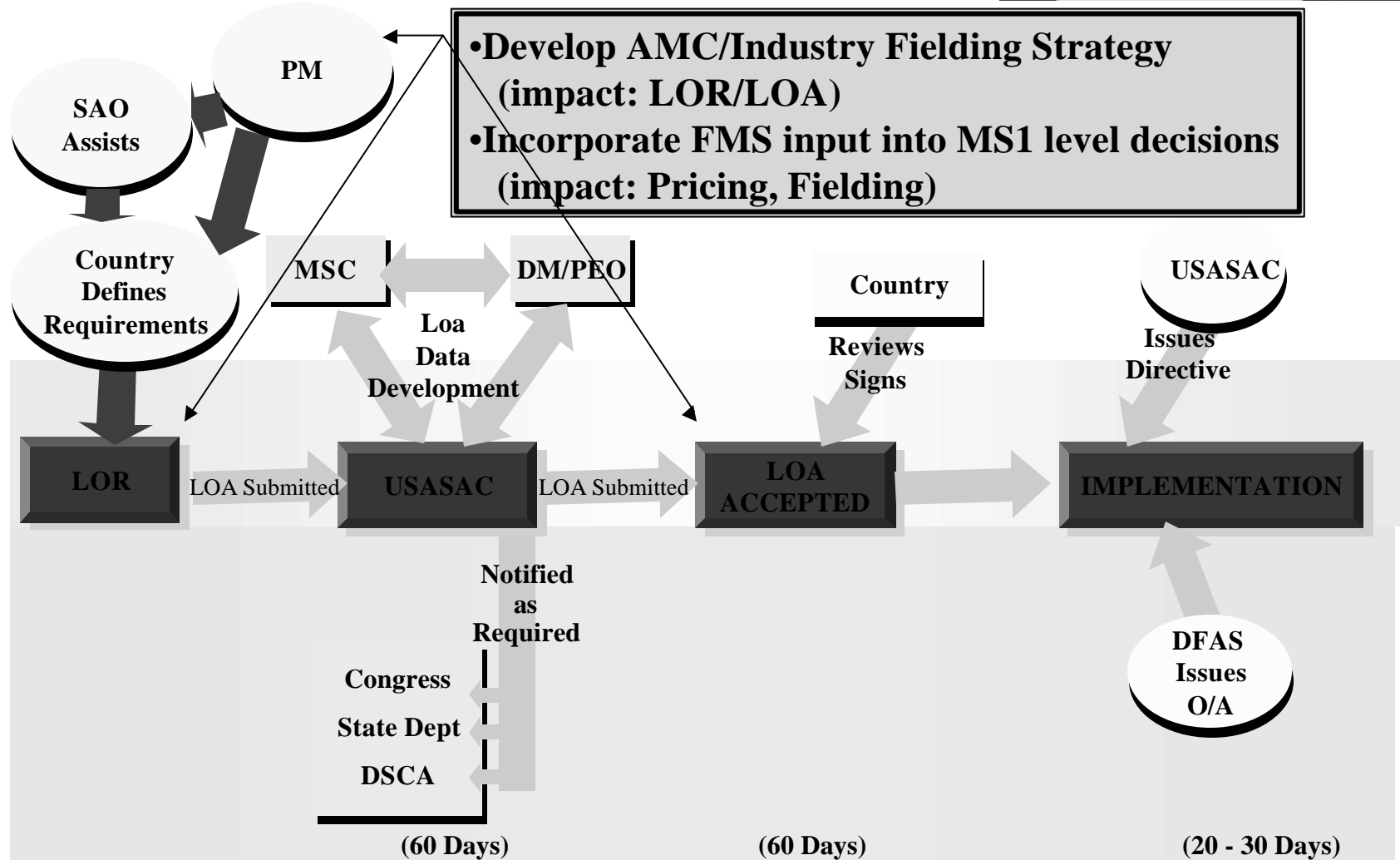
- **Political Alliance Criteria**
- **Trade Criteria**
- **Financing Criteria**
- **Offset Requirements**
- **Technology Transfers & Indigenous Production Goals**
- **Job Protection and Promotion Requirements**
- **Defense Industrial Base Protection Goals**
- **Concerns about Single Supplier Dependence**
- **Aggressive Foreign Government Marketing**



FMS Process



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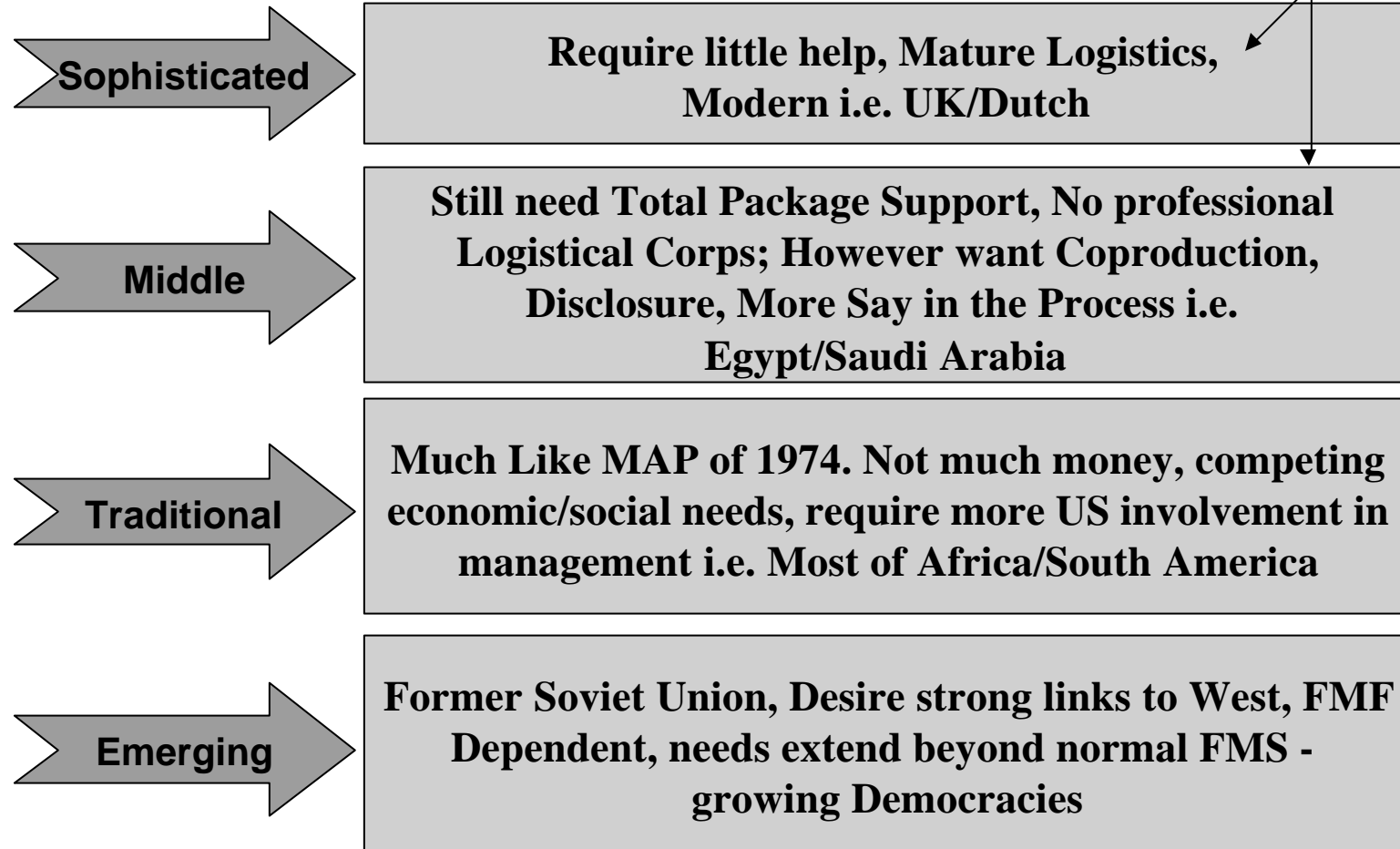




Today's FMS Recipient

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Requires joint
USG and Industry
Strategy





Myths About FMS

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- **License Process takes to long**
- **LOA process is to slow**
- **Congressional Notification Different**
- **Offset only available under DCS**
- **Rigid Payment Structure**
- **NRC more Expensive**
- **DCS Ability/Commitment to Sustain Equipment**





FMS vs. DCS...

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BOTH ARE NECESSARY TOOLS - BOTH HAVE THEIR PLACE !

- **STRENGTHS OF FOREIGN MILITARY SALES (FMS)**
 - **GOVERNMENT - TO - GOVERNMENT AGREEMENT**
 - **TOTAL PACKAGE SUPPORT / U.S. MILITARY EXPERIENCE**
 - **MAY BE A BETTER TOOL WHERE TECHNOLOGY CONTROL IS AN ISSUE**
 - **PURCHASER PAYS ACTUAL USG COSTS**
- **STRENGTHS OF DIRECT COMMERCIAL SALES (DCS)**
 - **DIRECT NEGOTIATION OF TERMS AND CONDITIONS**
 - **NO FMS ADMINISTRATIVE SURCHARGE OR NONRECURRING RECOUPMENT COST**
 - **WARRANTIES**
 - **MAY BE FASTER**





Future FMS...

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- LEVERAGE INTEROPERABILITY BACK TO THE U.S ARMY
- CONSIDER FMS IN PRODUCTION DECISIONS
- DEVELOP EARLY EXPORT STRATEGY
- AWARENESS OF FMS VS. DCS
- CONSIDERATION OF FMS CONCERNS/ISSUES AS THE NORM VS. THE EXCEPTION

FMS Continues To Be
A Good News Story -
Building Partnerships
into the next Century





Total Support...

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**What AMC Does For The
Soldier...Today
and Tomorrow**

AMC Provides it!

**FMS
Enables it**

Maintenance



Chem-Bio Defense



Science & Technology



Security Assistance



Weapon Systems



Ammunition

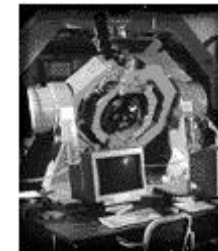


Spare Parts



Clothing

Simulation





Discussion

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Security Assistance



VISIT OUR HOME PAGE

<http://www.amc.army.mil/amc/sac/index.html>



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Backup Slides



FMS SALES PROJECTION

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MLRS

<u>MLRS</u>	<u>POTENTIAL</u>	<u>VALUE</u>
KOREA	High	\$ 266M
EGYPT	Med	\$ 450M
JAPAN(Rockets)	High	\$ 1.2M



TANKS



<u>M1A1/A2</u>	<u>POTENTIAL</u>	<u>VALUE</u>
SAUDI ARABIA (Follow on Support)	High	\$ 400M
EGYPT (copro)	High	\$ 725M
KUWAIT(upgrade)	High	\$ 654M
TURKEY	Hybrid	\$ 7B
GREECE	Hybrid	\$ 2B



FMS SALES PROJECTION

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HELICOPTERS

BLACKHAWK

POTENTIAL

VALUE

ISRAEL

High

\$ 525M

BRAZIL(TNG)

Med

\$ 1M



HELICOPTERS



APACHE

POTENTIAL

VALUE

ISRAEL
(Upgrade / New Buy)

Very High

\$400M

UAE (Upgrade)

Med-High

\$415M

KUWAIT

High

\$850M

KOREA

Med

\$925M



FMS PROJECTED SALES

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MISSILES



PATRIOT

KOREA
NETHERLANDS
ISRAEL
GERMANY

POTENTIAL

50-50/Funding
High
Low-Med
Med-High

VALUE

\$ 3.0B
\$ 451M
\$ 300M
TBD

JAVELIN

NETHERLANDS
TAIWAN
UK
FINLAND
KUWAIT
NORWAY

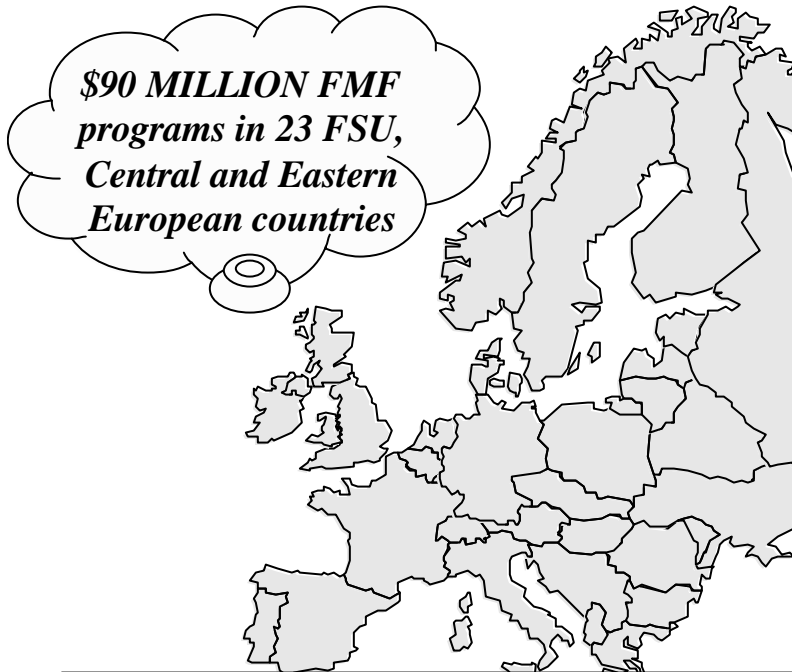
High
High
High
High
Med
Med-High

\$ 441M
\$ 415M
\$ 10M
\$ 441M
\$ 65M
\$ 150M



USASAC - EUROPE TODAY

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Europe FMS

- 1, 846 ACTIVE CASES
- \$10.9 BILLION TOTAL PROGRAM VALUE
 - \$3.3B UNDELIVERED
- Connected to NATO through -NAMSA

EUROPE:

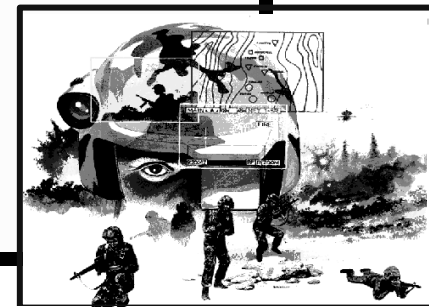
- Projected FMS for 2001: \$2.4 B
(Greek/Turkish tank sales not included)
- Greek Tank Sale/low cost lease issue
- Potential Apache sales: Israel, Spain, Sweden/Nordic consortium; Greece remanufacture/sale
- Javelin: Reinvention innovations
- Defense Assessments: New NATO members, PFP, others...
- Ukraine HMMWV delivery--March' 01



SUPPORT TO DUTCH UNMEE MISSION

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- RNLAf will execute first ever AH-64D deployment to Africa.
- USASAC/USG providing wide-ranging logistical support including:
 - High priority supply support
 - Coordination of USAF Air transport to Djibouti
 - Numerous equipment leases
 - Specialized training for pilots and support personnel.





DUTCH APACHE-MODEL FOR FMS REINVENTION

USASAC – Army's Face to the world

- First time ever for use of NTE pricing
- First opportunity for FMS customers to have direct observation of FMS contract negotiations
- Program included waiver of numerous standard terms and conditions
- Unique interim capability to include unit training at Fort Hood w/21st Cav





DEFENSE REFORM INITIATIVES IN EMERGING DEMOCRACIES

USASAC – Army's Face to the world

- USG has numerous ongoing projects to assist various central and Eastern European nations.
- US Corporations working under FMS cases to support customer defense agencies.
- Highly qualified expertise in planning, programming and organizational design
- Customer feedback uniformly positive





USASAC -ASIA/PACIFIC/ AMERICAS TODAY

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ASIA/PACIFIC/AMERICAS FMS

- 52 COUNTRIES
- \$7.162 BILLION TOTAL PROGRAM VALUE
- -- \$3.33B UNDELIVERED
- 1502 CASES

ASIA/PACIFIC/AMERICAS:

- Projected FMS for 2001: \$3.9B
- Korea- Apache, Patriot sales
- Taiwan- Significant potential sales
- Singapore- Follow on Apache sales- bed-down of Apache units in U.S. -TPQ-37/MLRS shoot
- Japan- Range support to CHU-SAM and 155 DPIC testing. Coproduction support
- Australia- Apache sales
- *New Zealand*- New FMS - Sincgars/Harris Radios - Javelin
- Thailand- Blackhawk, Cobra sales
- Sustainment everywhere



USASAC -MIDEAST/AFRICA TODAY

USASAC – Army's Face to the world



MIDEAST/AFRICA FMS

- 40 Countries & 2 International Organizations
- 863 Active Cases (Excl SANG)
- \$31.7B Total PGM Value
 - \$5.2B Undelivered

MIDEAST/AFRICA:

- **Projected FMS for 2001: \$4.1B**
- **Egypt: M60A3 Tank engine program**
- **Saudi: M1A2/M2A2/M113 Pgm Sustainment**
- **Kuwait:**
 - **Patriot Reliability Enhancement Program**
 - **M1A2 SEP & Electronic parts Obsolescence**
- **UAE: EUCOM working AH-64A commo issue with TF Falcon**
- **Qatar: M1A2 Tank demonstration on hold due to license/lease glitch**
- **Regional Assessment: Middle East peace concerns FMS and FMF, PFP support growing**



OPM-SANG TODAY

USASAC – Army's Face to the world

- 81 Military - 187 Civilians = 268
 - Military = 39 TAFT + 40 TDA + 2 USMC
 - Appreciate CG Support on Increased ODP
 - FY01 ODP = 48% of TDA Authorized

- Current Mission Focus
 - LAV Fielding/Sustainment
 - Facilities Construction
 - SINCGARS Fielding
 - Medical Program Expansion
 - *Force Protection -- Always!*

- Future Program
 - \$59M on Offer (TOW & SINCGARS)
 - \$316M to be Offered Jan 01 (3d LAV Bde)
 - Near and Long Term Expansion - FA, 4th & 5th LAV Bdes, AD, Medical

- Continued Support to an Important Ally in a Critical Region
- Outstanding US Military Professional Experience



- \$8.19B Cumulative Program Value
- Undelivered Value - \$1.86B
- 31 Cases

Note: DA DSPER Non-concurs with additional ODP authorization for OPM SANG-(8 Dec Memo)